THE MINORITY REPORT

EXECUTIVE SUMMARY

INTRODUCTION

The founders of this country envisioned that American political discourse would be based on the power of ideas, not money, and that our elected representatives would be chosen by the principles for which they stand, not the amount of money they raise. Unfortunately, elected officials in the United States have become so dependent on political contributions from wealthy donors that the democratic principles underlying our government are at risk. As Senator Glenn has warned, we face the danger of becoming a government of the rich, by the rich, and for the rich. Candidates for Congress and the presidency spent over $1 billion on their 1996 election activities, according to an estimate by the Annenberg Public Policy Center. In order to raise that enormous quantity of money, some candidates and party officials pushed the campaign finance laws to the breaking point -- and some pushed it beyond. The abuses that occurred during the 1996 election exposed the dark side of our political system and underscored the critical need for campaign finance reform, as well as the need to enhance the ability of the Federal Election Commission to enforce campaign finance laws.

On March 11, 1997, the Senate voted unanimously to authorize the Governmental Affairs Committee to conduct an investigation of illegal and improper activities in connection with 1996 Federal election campaigns. The Senate asked the Committee to conduct a bipartisan investigation, one that would explore allegations of improper campaign finance activities "by all, Republicans, Democrats, or other political partisans." This was a noble goal, and there were widespread hopes that the Committee would conduct a serious, bipartisan investigation, one that would investigate allegations of abuses by candidates and others aligned with both major political parties. In the end, however, the Committee's investigation provided insights into the failings of the campaign finance system, but it did not live up to its potential.

The Minority regrets the failure of the Committee to expose the ways in which both political parties have pushed and exceeded the limits of our campaign finance system.

Both parties have openly offered access in exchange for contributions.

Both parties have been lax in screening out illegal and improper contributions.

Both parties have become slaves to the raising of soft money.

Violating the spirit and the letter of the Senate resolution that established its investigation,

the Committee aggressively pursued allegations of wrongdoing involving Democrats, but largely ignored allegations of wrongdoing involving Republicans. As a result, the investigation became a partisan exercise, losing credibility and significance.

- O Every one of the 320 subpoenas proposed by the Majority was issued; fewer than half of the subpoenas proposed by the Minority -- 89 out of 200 -- were issued.

- O Sixty-six deposition subpoenas requested by the Minority were denied because they were directed to individuals affiliated with the Republican National Committee and conservative political groups, all of whom refused to cooperate voluntarily with the Committee.

- O Thirteen deposition subpoenas issued to, but then ignored by, individuals affiliated with the Republican Party, were not enforced by the Committee. These subpoenas were directed to top officers of the Republican National Committee, the Dole for President campaign, Triad Management, and Americans for Tax Reform.

- O Twenty-five of the 28 hearing days devoted to fundraising practices examined the Democrats. Only three days were allotted to look at possible Republican wrongdoing. Four additional days were spent discussing the need for campaign finance reform.

The partisan nature of the investigation was also demonstrated by the Majority's repeated violations of the Committee's longstanding rules of procedure, abrogation of bipartisan agreements on Committee process, and the failure to issue or enforce Minority-requested subpoenas. More significantly, the failure by the Committee to enforce its subpoena authority may have damaged the ability of the U.S. Senate to compel information in future oversight and investigative efforts.

The Minority Report brings some balance to the Committee's investigation. Our Report does not shrink from or condone illegal or improper conduct by Democrats. On the contrary, when the evidence indicates misconduct on the Democratic side, that misconduct is noted and condemned. The Minority Report also lays out the evidence we were able to compile about fundraising illegalities and improprieties on the Republican side. The fact that both parties engaged in campaign abuses provides the foundation of our most important conclusion, that the underlying cause of the 1996 campaign scandal is our deeply flawed system of campaign financing. The Committee investigation has built an undeniable case for campaign finance reform.

A SYSTEMIC PROBLEM

The Committee examined a host of 1996 election-related activities alleged to have been improper or illegal. We heard from fundraisers, donors, party officials, lobbyists, candidates and government officials. Roger Tamraz, a contributor to both parties, admitted making 1996 campaign contributions for one reason, to obtain access to events held in the White House. Buddhist Temple officials admitted reimbursing monastics for making campaign contributions at the temple's direction. A wealthy Hong Kong businessman hosted the chairman of the Republican National Committee on a yacht in Hong Kong Harbor and provided $2 million in collateral for a loan used to help elect Republican candidates to office.

The Committee's investigation exposed these and other incidents that ranged from the exemplary, to the troubling, to the possibly illegal. But investigations undertaken by the U.S. Senate are not law enforcement efforts designed to arrive at judgments about whether particular persons should be charged with civil or criminal wrongdoing, but, by Constitutional design, are inquiries whose primary purpose must be "in aid of the legislative function." Accordingly, the most important outcome of the Committee's investigation is the compilation of evidence demonstrating that the most serious problems uncovered in connection with the 1996 election involve conduct which should be, but is not now, prohibited by law. Or as Senator Levin has put it, the evidence shows that the bulk of the campaign finance problem is not what is illegal, but what is legal.

The systemic legal problems and the need for dramatic campaign finance reform are highlighted in our Report and in the following summary, which covers subjects addressed during the hearings as well as subjects the Minority would have addressed at the hearings if it had been allocated additional hearing days. The summary is organized like the Minority Report itself -- both thematically and by chapter -- and, like the Report, it discusses a wide range of questionable conduct by persons and organizations associated with the Republican and Democratic Parties. But the Report also seeks to draw larger lessons about what is needed to repair a campaign financing system in crisis.

In our democracy, power is ultimately to be derived from the people -- the voters. In theory, every voter is equal; the reality is that some voters, to borrow George Orwell's phrase, are "more equal than others." No one can deny that individuals who contribute substantial sums of money to candidates are likely to have more access to elected officials. And most of us think greater access brings greater influence. It was this concern over linkages between money, access and influence -- amid allegations that Richard Nixon's 1968 and 1972 presidential campaigns accepted individual contributions of hundreds of thousands, even millions, of dollars -- that spurred Congress to enact the original campaign finance laws. While those laws have evolved over the 20 years since that time, the goals have remained the same: to prevent wealthy private interests from exercising disproportionate influence over the government, to deter corruption, and to inform voters. To achieve those goals, the law imposes both contribution limits and disclosure requirements:

- O Certain categories of donors -- including corporations, labor unions, and foreign nationals -- are prohibited from making contributions to federal campaigns.

- O Individual donors are limited in the amount of money they may contribute to federal campaigns.

- O All campaign contributions must be disclosed.

Violations of the law's contribution limits and disclosure requirements have occurred since they were first enacted. For example, corporations and foreign nationals prohibited from making direct campaign contributions have laundered money through persons eligible to contribute. Donors who have reached their legal contribution limit have channeled additional campaign contributions through relatives, friends, or employees. Indeed, the investigation of the 1996 elections was triggered by suspected foreign contributions to the Democratic Party allegedly solicited by Democratic National Committee ("DNC") fundraiser John Huang. Indictments and convictions have emerged involving contributors to both parties, including Charlie Trie and the Lum family on the Democratic side, and Simon Fireman, vice chair of finance of Senator Dole's presidential campaign, and corporate contributors to the campaigns of Representative Jay Kim of California on the Republican side. The most elaborate scheme investigated by the Committee involved a $2 million loan that was backed by a Hong Kong businessman, routed through a U.S. subsidiary, and resulted in a large transfer of foreign funds to the Republican Party.

While the Committee's investigation uncovered disturbing information about the role of foreign money in the 1996 elections, the evidence also shows that illegal foreign contributions played a much less important role in the 1996 election than once suspected. Whether judged by the number of contributions or the total dollar amount, only a small fraction of the funds raised by either Democrats or Republicans came from foreign sources. More importantly, the Committee obtained no evidence that funds from a foreign government influenced the outcome of any 1996 election, altered U.S. domestic or foreign policy, or damaged our national security.

The Committee's examination of foreign money also brought to light an array of fundraising practices used by both parties that, while not technical violations of the campaign finance laws, expose fundamental flaws in the existing legal and regulatory system. The two principal problems involve soft money and issue advocacy.

The federal election laws, as noted above, place strict limits on campaign contributions to federal candidates. Campaign funds which meet all of the federal strictures are often called "federal" or "hard" money. But FEC regulations also permit political parties to raise and accept contributions that do not meet the law's strict requirements, if the funds are not intended to be used to help specific federal candidates.

That means, for example, under the FEC regulations, parties may accept otherwise prohibited contributions from corporations and unions and unlimited contributions from individuals. Parties can then -- legally -- use this so-called "non-federal" or "soft" money to help state and local candidates and for generic, party-building purposes such as get-out-the-vote drives.

The Committee's investigation revealed that the legal distinction created by the FEC between hard and soft money, while clear on the fundraising side, has become all but meaningless on the spending side. Both the Democratic and Republican Parties raised vast amounts of soft money from corporate, union and individual donors, and then used loopholes in the law to spend that money helping specific candidates. The biggest of these loopholes involves so-called issue advocacy, in which communications, paid for in whole or part with soft money, attack a candidate by name while claiming to be an issue discussion outside the reach of federal election laws. This loophole widened in 1996 due to rulings by a few courts giving wide latitude to the definition of issue advocacy. These courts held, in essence, that political communications are outside the scope of federal election laws unless they contain so-called "magic words" (such as "vote for," "elect," or "defeat") advocating the election or defeat of a clearly identified candidate. These court rulings led to over $135 million in televised ads by parties and other groups, almost 90 percent of which named specific candidates. This unlimited and undisclosed spending, which the Annenberg Public Policy Center has called "unprecedented" and "an important change in the culture of campaigns," may have changed the outcome of at least some 1996 federal elections.

It is beyond question that raising soft money and broadcasting issue ads are not, in themselves, unlawful. The evidence suggests that much of what the parties and candidates did during the 1996 elections was within the letter of the law. But no one can seriously argue that it is consistent with the spirit of the campaign finance laws for parties to accept contributions of hundreds of thousands -- even millions -- of dollars, or for corporations, unions and others to air candidate attack ads without meeting any of the federal election law requirements for contribution limits and public disclosure.

The evidence indicates that the soft-money loophole is fueling many of the campaign abuses investigated by the Committee. It is precisely because parties are allowed to collect large, individual soft-money donations that fundraisers are tempted to cultivate big donors by, for example, providing them and their guests with unusual access to public officials. In 1996, the soft-money loophole provided the funds both parties used to pay for televised ads. Soft money also supplied the funds parties used to make contributions to tax-exempt groups, which in turn used the funds to pay for election-related activities. The Minority Report details, in several instances, how the Republican National Committee deliberately channeled funds from party coffers and Republican donors to ostensibly "independent" groups which then used the money to conduct "issue advocacy" efforts on behalf of Republican candidates.

Together, the soft-money and issue-advocacy loopholes have eviscerated the contribution limits and disclosure requirements in federal election laws and caused a loss of public confidence in the integrity of our campaign finance system. By inviting corruption of the electoral process, they threaten our democracy. If these and other systemic problems are not solved, the abuses witnessed by the American people in 1996 will be repeated in future election cycles. All that will change will be the names, dates, and details.

FOREIGN MONEY

A substantial portion of the Committee's efforts was directed at uncovering whether there was an illegal infusion of foreign funds into the American political process during the 1996 election cycle.

The China Plan

In his opening statement on the first day of the Committee's public hearings, Chairman Thompson stated that the Committee had discovered a plan "hatched by the Chinese Government" that was designed "to pour illegal contributions" into American campaigns. Chairman Thompson suggested that the Committee had evidence that this "China Plan" had "affected the 1996 presidential race." The Committee did, in fact, receive information that Chinese government officials had proposed a plan during the last election cycle designed to promote its interests in the United States. The Committee also discovered that the China Plan focused not on the presidential race, but on lobbying and promoting Chinese Government interests with Congress, state legislatures and the American public. Although the evidence presented to the Committee supports the conclusion that the plan was implemented in a number of ways, there was ultimately insufficient evidence presented to the Committee to show that the plan involved the Chinese government making contributions to the presidential campaign, let alone that any Chinese government money had actually made its way into any federal campaign, presidential or congressional. Based on the information available to the Committee to date, the China Plan was found to be of minimal significance to the issues investigated by the Committee.

Haley Barbour and the National Policy Forum

The clearest example of foreign money being solicited and directed into U.S. elections involves the Republican Party and a Hong Kong businessman. It occurred when Haley Barbour, chairman of the Republican National Committee ("RNC"), persuaded Hong Kong businessman Ambrous Young to post collateral of $2 million in support of a loan to the National Policy Forum ("NPF"). NPF, a think tank also presided over by Barbour, was a de facto subsidiary of the RNC. The collateral was posted by a shell corporation that had no assets other than money transferred from Hong Kong. Because of Young's help, NPF was able to obtain a $2 million bank loan, and it quickly transferred

the bulk of the loan proceeds to the RNC which, in turn, channeled the money into congressional races around the country. This was a clear case of foreign money being brought into our domestic political process. This money transfer was conceived and executed at the highest levels of the Republican Party.

Barbour's testimony that he did not know that the source of the funds was foreign or that the money was intended for infusion into the 1994 congressional elections was contradicted by both documentary and testimonial evidence. Evidence before the Committee demonstrated that Barbour was made aware on several occasions, both before and after the loan was made, that the collateral, $2 million in certificates of deposit, was purchased with foreign money. Barbour himself was quoted on several occasions stating that the money was needed for the November 1994 congressional elections. His denials to this Committee were not credible.

Both the Minority and Chairman Thompson agreed that the RNC should repay its Hong Kong benefactor the $800,000 that was forfeited as a result of NPF's default on the loan. Barbour authorized the default after having given assurances that the RNC would stand behind the NPF loan.

John Huang

John Huang, a U.S. citizen who emigrated from Taiwan in 1969, worked for several years for the Lippo Group, an Indonesian-owned conglomerate. During the late 1980s, he became active in Democratic Party politics. He raised money for President Clinton's campaign in 1992 and later joined the Department of Commerce. It appears that Huang may have raised money for the Democratic National Committee while he was a Commerce Department employee. If true, he may have violated the Hatch Act, which proscribes the solicitation of campaign contributions by federal employees.

After leaving Commerce, Huang joined the DNC staff as a full-time fundraiser, concentrating on the Asian-American community. On several occasions, he collected contributions that he knew -- or should have known -- were improper and possibly illegal.

Some Members of the Committee viewed Huang as a potential espionage agent, and spent considerable time attempting to establish that he relayed classified information to his former employer, the Lippo Group, or to the Chinese government when he was employed by the Department of Commerce. Huang offered to testify without immunity from prosecution for any acts of espionage or improper transfer of classified information. The Majority did not pursue this offer. The evidence before the Committee does not support the allegation that Huang served as a spy or a conduit for contributions from any foreign government, including China.

Yah Lin ("Charlie") Trie

Yah Lin ("Charlie") Trie, a U.S. citizen who emigrated from Taiwan in 1974, was not a DNC employee, but he raised substantial sums of money for the DNC and the Presidential Legal Expense Trust, an entity established to raise money to defray the legal bills of President and Mrs. Clinton.

Some of the money Trie raised appears to have come from foreign sources, notably Ng Lap Seng (also known as "Wu"), a business associate of Trie's based in Macao. Trie appears to have made some of his own political contributions from a bank account that was funded with transfers from Wu.

The evidence before the Committee does not support the allegations that Trie was acting on behalf of a foreign government or that he was improperly attempting to influence American foreign policy. However, there can be little doubt that Trie hoped to promote his business interests by capitalizing on his earlier friendship with President Clinton. In February, 1997 Trie was indicted by the Department of Justice for conspiracy to defraud the DNC and the FEC by making and arranging illegal contributions utilizing foreign funds. He has returned to the United States and has pleaded not guilty to these charges.

Ted Sioeng

Individuals and companies associated with Ted Sioeng, an Indonesian-born businessman who is not a U.S. citizen or a legal resident, contributed large sums of money to both Democrats and Republicans. These contributions enabled Sioeng to gain access to high-ranking officials of both parties. The Minority urged the Committee to hold hearings on Sioeng, but none took place. This failure is striking since the Committee focused enormous attention on John Huang and Charlie Trie and other individuals linked to questionable Asian contributions. As noted above, unlike Huang and Trie, individuals associated with Sioeng contributed to both political parties.

Jay Kim

One of the best-documented examples of foreign contributions to a federal candidate concerned U.S. Representative Jay Kim, a California Republican, who pled guilty last year to campaign finance violations stemming from his 1992 and 1994 campaigns. Kim's wife also pled guilty, while a former campaign treasurer was convicted of criminal charges after a jury trial. While examining the Kim case, the Minority found evidence suggesting that there were ongoing improprieties during the 1996 election cycle. Moreover, a recent lucrative book deal between Mrs. Kim and a South Korean publisher raises a serious question as to whether it is an attempt to channel foreign funds to the Kims for improper purposes. These transactions warrant further scrutiny.

While the above examples clearly show that foreign money is a problem in the political process, the dimensions of the problem must be kept in perspective. It should be noted that the amount of foreign money that made its way into the election campaigns was

a small fraction of the total amount of money contributed and the number of contributions received.

INDEPENDENT GROUPS

The Minority hoped for a broad bipartisan investigation into the issue of how tax-exempt entities may have been used to circumvent the campaign finance laws. The Minority joined the Majority to issue a subpoena to the AFL-CIO, the Christian Coalition, and nearly 30 other independent groups holding a wide range of political ideologies and affiliations that appeared to have played some role in the 1996 elections.

After the subpoenas were issued, however, the Majority failed to enforce them, even in the face of open non-cooperation by entities and individuals subpoenaed by the Committee. The Minority indicated that it would support action against any entity, whether associated with either the Democratic or Republican Party, that failed to comply with a valid Committee subpoena. However, by late summer 1997, compliance by almost all of the independent groups had stopped.

Despite these obstacles, the Minority was able to establish that several tax-exempt organizations spent millions of dollars on behalf of Republican candidates through purported "issue ads" and other campaign support. Even more disturbing, the RNC funneled money through several theoretically "independent" groups and thereby effectively evaded the federal legal limits on the spending of soft money contributions.

The RNC and Americans for Tax Reform

One of the most egregious examples of the misuse of tax-exempt entities concerned the Republican National Committee's transfer of money to Americans for Tax Reform ("ATR"). Shortly before the November 1996 election, ATR received a $4.6 million "donation" from the RNC and spent that money on direct mail and phone bank operations to counter anti-Republican advertising on the Medicare issue. The evidence collected by the Committee shows clearly that ATR acted as a surrogate for the RNC, enabling the Republican Party to evade campaign finance laws. The coordinated effort between the RNC and ATR permitted the RNC to conserve hard dollars which the RNC could then expend elsewhere. The alliance between the RNC and ATR is a classic example of the soft money loophole being exploited in a manner that pushed the limits of our campaign finance laws.

These activities should have been exposed at public hearings, but the Majority refused to permit such hearings. The relationship between the RNC and ATR should be the subject of continued investigation by the Department of Justice, the Internal Revenue Service and the Federal Election Commission.

Triad and Related Organizations

The issue advocacy loophole was also exploited by Triad Management Services, a for-profit company that claims to be in the business of providing advice to conservative donors in exchange for fees. In fact, Triad was funded by a handful of wealthy Republican donors who used it as a mechanism to support the election of conservative Republican candidates to the House of Representatives and the Senate. Triad channeled millions of dollars from its backers to two tax-exempt groups it had established for the sole purpose of running attack ads against Democratic candidates under the guise of "issue advocacy." By operating this way, Triad and its financial backers avoided the disclosure and campaign contribution limits of the federal election laws.

Triad itself made possibly illegal contributions by providing free consulting advice and other assistance to candidates. Moreover, the evidence suggests that Triad conspired with contributors who had reached their maximum contribution limit to evade the law by laundering additional contributions through designated political action committees ("PACs") and then earmarking these contributions for certain campaigns. The Department of Justice and the Federal Election Commission should continue the investigation into the operations of Triad to determine the nature and the extent of any illegal activities by that organization.

One of the most unfortunate aspects of this entire investigation was the decision by the Majority to unilaterally reverse its pledge to the Minority that the Minority would be afforded three hearing days in October or November, 1997. The Minority was prepared to use the promised hearing days to educate the American people about Triad.

The Christian Coalition

Among all the "independent" groups in the pro-Republican camp, few have been as active as the Christian Coalition ("the Coalition"). In local, state, and federal elections, the Coalition spends substantial sums of money to distribute millions of copies of its voter guides. It has acknowledged spending between $22 million and $24 million on 1996 races, and working to distribute about 45 million voter guides.

At the Minority's request, the Committee issued a subpoena to the Christian Coalition, but the organization produced only a handful of documents. It refused to provide copies of voter guides, even though copies had been distributed publicly across the country. Despite the lack of cooperation from the Coalition, and the failure of the Majority to seek enforcement, the Minority was able to piece together information about this organization from other sources, including court papers in the FEC's ongoing suit against the Coalition.

The Minority found that the Christian Coalition has routinely circumvented federal election law by exploiting the "issue advocacy" loophole. Its voter guides, for example, purport to be honest portrayals of candidates, examining how their positions on controversial issues are in accord with the Coalition. In fact, the guides are highly slanted

publications, characterized by distortions and omissions in order to help Coalition-backed candidates. Although it purports to be a nonpartisan, social welfare organization, the Christian Coalition is one of the biggest proponents of the Republican Party and Republican candidates.

Warren Meddoff and Tax Exempt Groups

The evidence before the Committee on coordination between Democratic officials and independent groups is not comparable to the disturbing evidence of Republican coordination with independent groups. The Committee examined activities surrounding a written suggestion by White House Deputy Chief of Staff Harold Ickes to Florida businessman Warren Meddoff that, in response to Meddoff's request, identified organizations to which tax-deductible contributions could be made. However, there was no evidence presented that the groups identified by Ickes, which do not run issue ads and focus mostly on voter-registration activities, coordinated their activities with the White House or the DNC. The Meddoff story sheds so little light on the issue of improper coordination that it is questionable that he would have been called to testify before the Committee were it not for his allegation that Ickes had asked him to shred the memorandum identifying the tax-exempt groups. This allegation, as discussed in this Minority Report, is not credible.

The Teamsters Election and the DNC

The Committee investigated allegations of a possible "contribution-swapping" scheme proposed by Martin Davis, a direct-mail consultant to the reelection campaign of Ron Carey, former president of the Teamsters union. The essence of Davis's proposal was that the Teamsters would make contributions to the DNC in return for which Democratic Party officials would find a donor to contribute to Carey's re-election campaign. The evidence established that there were discussions between Davis and various fundraising officials at the DNC about this proposal.

While the evidence does not support the conclusion that a contribution-swap ultimately took place, it is disturbing that the matter progressed to the point where a possible contributor for the Carey campaign was identified. This donor did not ultimately contribute to the Teamsters because her status as an employer made her ineligible to contribute to a union election. Nevertheless, Martin Davis's comments to DNC officials should have led them to suspect that Davis was improperly seeking to influence the use of Teamsters funds to benefit the Carey campaign. DNC officials should have immediately refused to take any action in response to Davis's request.

THE HSI LAI TEMPLE EVENT

The Committee examined whether Vice President Gore knew or should have known that a community outreach rally held at the Hsi Lai Temple in California on April

29, 1996, was an event used by Huang to encourage contributions to the DNC and, therefore, should not have been held on the premises of a tax-exempt religious organization. The evidence before the Committee indicates that the Vice President neither knew nor had reason to know that this was anything other than a community outreach event. The evidence presented to the Committee indicates that there had been plans for the Vice President to appear at a fundraising luncheon at a restaurant and then go to the Hsi Lai Temple for the community outreach event. When the luncheon was canceled, the Hsi Lai Temple event proceeded without any of the indicia normally associated with a fundraiser. There was no admission price for attending, no tickets were sold, no campaign materials were displayed, and the Vice President's speech made no reference to the solicitation of funds.

The evidence established that the day after the Vice President appeared at the temple, DNC fundraiser John Huang advised Maria Hsia, a prominent member of the Asian-American community, that he needed to raise money and he asked her to help. She, in turn, asked members of the temple to find contributors. There is not a shred of evidence, however, that the Vice President had any knowledge of this. Moreover, although the donors were reimbursed for their contributions, the source of the funds appears to have been domestic, not foreign.

The evidence before the Committee shows that no aspect of Vice President Gore's appearance at the temple was improper.

CONTRIBUTION LAUNDERING

The Committee learned that some improper reimbursement of campaign contributions occurred in connection with the 1996 federal election cycle. A number of persons associated with Trie and Wu appear to have been reimbursed for their contributions using funds from accounts controlled by Trie. Similarly, Yogesh Gandhi, a Los Angeles businessman, appears to have made a $325,000 contribution in his name using funds supplied by a Japanese businessman. Businesswoman Pauline Kanchanalak, while reportedly wealthy in her own right, appears to have made substantial contributions with funds supplied by her mother-in-law. All of these contributions were improper and were returned by the DNC. There was, however, no evidence presented to the Committee to suggest that any DNC officials were aware that contributions were being reimbursed from third parties. In addition, the evidence before the Committee does not support allegations of impropriety related to $425,000 in contributions by the Wiriadinatas.

The Committee also investigated several instances of contributions to the RNC that were apparently laundered or unlawfully reimbursed. For example, Michael Kojima contributed $500,000 to the Republican Senate-House Dinner Committee in 1992, and the evidence strongly suggests that those funds had actually come from several Japanese businessmen. Despite this evidence, the RNC has kept $215,000 from that contribution.

Simon Fireman, a national vice chair of the Dole campaign, and his company, Aqua Leisure Industries, Inc., were convicted for using employees as conduits to make illegal corporate contributions. Aqua Leisure employees contributed more than $100,000 and were reimbursed with corporate funds laundered through a Hong Kong trust. These contributions went to several campaigns, including the Dole for President campaign. There was a similar scheme involving contributions to the Dole for President campaign by employees of Empire Sanitary Landfill, Inc., and, apparently, DeLuca Liquor and Wine, Ltd.

Just as the DNC was unaware of having received laundered or illegally reimbursed contributions, there was no evidence to suggest that anyone at the RNC knowingly accepted such contributions.

SOFT MONEY AND ISSUE ADVOCACY

The federal campaign finance laws provide that candidates should finance their campaigns with so-called "hard dollars" -- contributions received in relatively small dollar amounts from individual donors and political action committees. Soft money -- which can be donated by individuals, corporations and unions and in unlimited amounts -- is not supposed to be spent on behalf of individual candidates. And yet it is: Tens of millions of soft dollars are raised by the parties and spent, through such devices as "issue advocacy" ads, for the benefit of candidates. The soft money loophole undermines the campaign finance laws by enabling wealthy private interests to channel enormous amounts of money into political campaigns. Most of the dubious or illegal contributions that were examined by the Committee involved soft money.

The Committee's investigation also showed that the legal distinction between "issue ads" and "candidate ads" has proved to be largely meaningless. The result has been that millions of dollars, which otherwise would have been kept out of the election process, were infused into campaigns obliquely, surreptitiously, and possibly at times illegally.

The issue of soft money abuses is inevitably tied to the question of how access to political figures is obtained through large contributions of soft money. It is also tied to the question of how tax-exempt organizations have been used to hide the identities of soft money donors. A system that permits large contributions to be made for partisan purposes, without public disclosure, invites subversion of the intent of our election law limitations.

THE NATIONAL PARTIES

It is beyond dispute that the present campaign finance system is riddled with loopholes that invite abuse by both parties. The flaws inherent in the system, however, do not excuse poor judgment.

The evidence supports the conclusion that both parties failed to scrutinize their fundraising practices and political contributions with sufficient vigilance.

The Committee received evidence that the DNC did not vigilantly supervise the fundraising of its employee John Huang, who was not an experienced professional fundraiser and who was tapping a source of funds -- the Asian-American community -- that had not previously been heavily targeted for substantial contributions. When the party received large contributions from previously unknown contributors such as Charlie Trie, Yogesh Gandhi, and others, it should have taken special steps to ensure that these were legal and proper donations and that all DNC fundraisers were familiar with -- and in compliance with -- the rules. Such heightened vigilance is important for any new source of contributions. Instead of heightened vigilance, however, there appear to have been instances where DNC officials ignored warning signals and permitted improper contributions to be accepted.

The Committee also learned, however, that a very small proportion of the money raised by the DNC during the 1996 cycle was improper or illegal. The DNC raised $122 million and voluntarily returned less than 200 out of 2.7 million contributions, or .01% of the contributions it received.

The DNC also deserves criticism for the manner in which it used access to political figures as a fundraising tool. Also of concern were instances when DNC Chairman Donald Fowler intervened on behalf of contributors in the face of admonitions to refrain from doing so. While there is no basis for ascribing improper intent to Fowler, he exhibited an insensitivity to both the appearance and the implications of his conduct.

Notwithstanding these failings, there was insufficient evidence to support a claim that the DNC was engaged in a systematic effort to disregard or evade the federal election laws. None of the evidence suggests that the DNC condoned any intentional misconduct. DNC fundraising personnel, with few exceptions, performed their functions in a legal and ethical manner.

Many of the RNC's activities were subject to similar problems as the DNC. The RNC, for example, received foreign contributions, gave access to top Republican congressional leaders for large contributions, and held fundraising-related events on federal property. However, because the RNC did not comply with the Committee's document subpoena and did not make RNC officials available for deposition, the Committee did not subject allegations involving the RNC to the same level of scrutiny as it did allegations involving the DNC.

CONTRIBUTOR ACCESS

One of the most troubling aspects of the campaign finance system is that major contributors often enjoy added access to decision-makers in the legislative and executive

branches of government. It is neither a mystery nor a surprise that the drive of political campaigns to raise money enables those who can provide funds to gain access to those who control the government. Neither political party can claim the high road of virtue on this issue, and abuses are pervasive in both presidential and congressional fundraising.

For years, Republicans have openly offered contributors access to congressional and political figures in their party. One 1997 Republican invitation states that for a $250,000 contribution, a smorgasbord of benefits is available, including sharing a table with the Senate or House committee chairman "of your choice." Another 1992 invitation states in a burst of candor: "Benefits based on receipts." This practice of promising access to political figures in exchange for contributions is the offensive product of a campaign finance system that remains badly in need of reform.

One of the most egregious examples of access being provided in exchange for political contributions concerns businessman Roger Tamraz. Evidence presented to the Committee indicates that Tamraz used every tactic imaginable to gain administration support for his oil pipeline scheme. Eventually, Tamraz resorted to making campaign contributions to the Democratic Party, just as he had given to the Republican Party when President Reagan was in the White House. The sobering fact is that the tactic was effective. Despite warnings from DNC staff and opposition from National Security Council staff and Vice President Gore's staff, Tamraz gained access to DNC events in the White House.

It was equally troubling for the Republican Party to provide access to Michael Kojima when President Bush was in office -- a subject not explored in any of the Committee's hearings. Kojima, a notorious "deadbeat dad" who was pursued by creditors, was seated with President Bush because he had donated $500,000 to the Republicans. He also received special assistance from U.S. Embassy officials for his private business interests. After Kojima's attendance at the dinner was publicized, the Republicans were forced to relinquish some of the money he had contributed to Kojima's creditors. But the party has -- to this day -- ignored strong evidence that Kojima made his donation not with his own money, but with funds transferred to him from Japanese businessmen. The Kojima event may have contributed to subsequent campaign finance abuses. The failure to prosecute Kojima during the Bush Administration may have sent a message to other donors that the campaign finance laws were not taken seriously in Washington, a message that could only have encouraged the excesses of 1996.

WHITE HOUSE FUNDRAISING TELEPHONE CALLS

Fundraising calls from the White House are not a new practice. President Reagan made such calls as did President Clinton.

After conducting an extensive investigation into telephone calls made by President Clinton and Vice President Gore, the evidence showed that the calls were not illegal.

President Clinton made fundraising calls for the DNC from the private residence while Vice President Gore made DNC telephone calls from his office, in all instances to persons who were outside any federal building. None of these calls violated the Pendleton Act, a 19th century law which forbids the solicitation of campaign contributions from persons who are located on federal property, and Chairman Thompson was correct when he stated that no one would be prosecuted based on such telephone calls.

SECRETARY BABBITT AND THE HUDSON CASINO

On the final day of the hearings, the Committee heard testimony by Interior Secretary Bruce Babbitt and Paul Eckstein, a lobbyist and former colleague of the Secretary. Eckstein had unsuccessfully lobbied Secretary Babbitt to approve an Indian trust application for the purpose of building a casino near Hudson, Wisconsin. Secretary Babbitt and Eckstein were questioned about allegations that Interior's denial of the Hudson casino proposal was undertaken in response to political pressure brought to bear by opposing tribes who were also Democratic Party supporters.

Much of the hearing was devoted to the particulars of a conversation between Secretary Babbitt and Eckstein about Harold Ickes, then-Deputy Chief of Staff in the White House. Several members of the Committee questioned whether Secretary Babbitt had accurately described this conversation in responding to an earlier inquiry from Senator John McCain. More attention should have been paid, however, to the extensive evidentiary record which demonstrated that Secretary Babbitt had played no role in the decision and that the Interior officials who did make the decision had no knowledge of either campaign contributions by the opposing tribes or alleged "pressure" from the White House or the DNC to deny the casino proposal.

WHITE HOUSE PRODUCTION

The Majority devoted two full hearing days to an effort to establish that the White House Counsel's Office conspired to withhold videotapes that showed the first few minutes of 44 coffees held at the White House. The evidence before the Committee indicates that the tapes were not produced until October 1997 -- about six months after they had been requested by the Committee. But the evidence is also clear that shortly after the request was received at the White House, an appropriately worded directive was issued, asking for all materials, including any videotapes, from persons within the White House complex.

Evidence presented at the hearing strongly suggested that the delay in producing the tapes was caused by the unintentional mishandling of a fax by personnel at the White House Communications Agency ("WHCA"). The WHCA is staffed by career military personnel who, among their many responsibilities, are charged with creating a videotape record of presidential events in the White House. Had the White House Counsel's Office fax been forwarded to them in its entirety, WHCA personnel would have retrieved the

tapes and the tapes would have been produced on a timely basis. Allegations were also made that the tapes may have been tampered with. The Committee hired an expert to examine the tapes: after extensive analysis he concluded there was no evidence of tampering.

Overall, the White House cooperated with the Committee's investigative efforts. Hundreds of thousands of pages of documents were voluntarily produced by the White House, many of which shed important light on the fundraising practices being examined by the Committee. In addition, over 50 witnesses were provided by the White House for interview or deposition by Committee staff without the need of subpoenas. During the course of the investigation, however, criticisms arose about delays in the production of certain categories of requested materials. The Committee found no evidence that these delays, although disappointing to the Committee, were the result of an intention to obstruct the Committee's work. In addition to the White House cooperation with the Committee, the DNC also cooperated by producing over 450,000 pages of unredacted documents and providing over 30 witnesses for interview or deposition without the need of subpoenas. In contrast, the RNC responded to its document subpoena, which was virtually identical to the DNC's subpoena, by producing only 70,000 pages of heavily redacted documents and providing no witnesses voluntarily, and only two witnesses for depositions after subpoenas were issued.

CONCLUSION

Despite a highly partisan investigation, the Committee has built a record of campaign fundraising abuses by both Democrats and Republicans. This record will hopefully be useful to the Federal Election Commission, the Internal Revenue Service and to the Department of Justice as they investigate the 1996 campaign. Most importantly, the Committee's investigation should spur much-needed reform of the campaign finance laws and strengthening of the Federal Election Commission. Congress should provide the Federal Election Commission with the necessary resources to significantly enhance its investigative and enforcement staff. Ultimately, the most important lesson the Committee learned is that the abuses uncovered are part of a systemic problem, and that the system that encourages and permits these abuses must be reformed.